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Major News Releases and Speeches

Aug. 13 - Aug. 20, 1982

IN THIS ISSUE:

Speech—

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the U.S. Feed Grains Council, Traverse City, Mich., Aug. 16, 1982

Testimony—

Statement by Assistant Secretary of Agriculture John B. Crowell, Jr., before the Senate subcommittee on Public Lands and Reserved Water, Committee on Energy and Natural Resources, Aug. 17, 1982

News Releases—

USDA Okays Planning Help for 34 Watershed Projects

Study Identifies USDA Functions Critical to Nation's Agricultural Health

USDA to Issue Sugar Reports Through May 1983

Wrongly-Paired Matings Fatal to Insect Pests

Puerto Rico Regulated to Prevent Fire Ant Spread

USDA Initiates Recall of Smoked Ham in Five States

USDA Adopts Measures to Control Rejected Meat and Poultry Imports

USDA Changes Ingredient Requirements for Some Sausage

USDA Extends Maturity Date on 1981-Crop Soybean Loans

Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the U.S. Feed Grains Council, Traverse City, Mich., Aug. 16, 1982

I'm sure you're all aware of the USDA crop report that came out last Wednesday. To say the least, I wasn't happy about it, and my unhappiness isn't because of the figures. What really bothers me, more than anything else, is that we're in a situation that is forcing us to be disappointed in something that should be good news.

I'm a production-oriented farmer. I've always felt that when you produce an abundant crop—when your fields are clean, healthy and productive—it's something to be proud of. I still feel that way. A strong crop is the result of many years of hard work, years in which agribusiness and producers have worked together as a team in developing the most modern, most efficient and most productive system in the world.

Now the figures say we're producing a record crop, and it makes me angry that because of circumstances—and we all know what the problems are—have put us into a situation where we have to worry about it.

Let me tell you this. I'm not going to sit back and just wring my hands about it. If anything, I'm going to dig in deeper, work harder, and get out there and do something about it. You have to help. And that's what I want to talk about today.

For starters, I have to say that your theme for this meeting—"The Difference Is You"—is right on target. There is no question in my mind about it. The only reason our country has been so successful in developing agricultural trade is because people like yourselves have made it work. You have always made the difference. And I'm certain you realize, now is not the time to let up. We have to work together to keep the pressure on.

I want to talk for a few minutes about our respective roles. I know enough about this audience to realize that when it comes to government involvement, you want the least government possible. I

can understand that, especially when we consider the damage done in the past when government intruded in trade matters.

What government has to remember—and sometimes forgets—is that it's your trade, not the government's. They're your customers. It's you, not the government, that handles the order books, takes the risks and carries out the business involved in trade. The role of government is only to provide a framework for trade—a workable framework—and then you are the ones who must make it work.

At the same time, you in the industry must remember that government does have its function, and it's an important function. Any criticism of government's past intrusions into trade matters should not become so broad as to discredit the necessary things that government must pursue. The world has to know that the U.S. government, as long as it doesn't overstep its limits, has the total support of the private industry. We have to let the world know that we have a spirit of cooperation here that is stronger than any problems we could encounter.

I'm proud to say that the relationship between the Feed Grains Council and the federal government in market development is a classic example of this spirit. In promoting exports, you represent one of the strongest of the 54 non-profit trade cooperators working with our Foreign Agricultural Service.

Not only has your group been active in market development, but you also have joined USDA on a number of occasions when we've traveled abroad to promote U.S. sales. In fact, the Feed Grains Council will be a strong part of our team leaving for China this week with Under Secretary Seeley Lodwick. I just want you to know that your support is both recognized and appreciated.

As you certainly know, this administration has intensified its efforts toward market development. Since the spring of 1981, seven joint government/ industry sales teams have gone to 23 countries in Africa, Latin America and the Far East. I have personally visited Europe, Asia and Africa to promote U.S. agricultural export expansion. We've also introduced a computer-based market development planning system which is used to insure the most effective use of market development resources. We are looking down every street, every avenue, and if we're leaving some stones unturned, I hope you'll tell us about it.

Another responsibility of the Federal government is to attack unfair trading practices wherever they exist in the world. And right now it's no secret that we're still having trouble with the European Community. As you know, this situation has intensified during the last several weeks. Charges and counter charges have been flying in all directions, but the facts still remain the same.

It's a fact that during the early 1970s, when world grain supplies fell off sharply, the European Community imposed an export tax to keep its grain at home. It was left primarily up to the American grain farmers to take up the world slack.

It's a fact that during our current record-high world grain supplies, the Community is maintaining a high import levy to keep out competition. It keeps on producing at high levels, and exports the surplus at subsidized prices that undercut everyone. And now, while we're trying to carry out an acreage reduction program, the EC has announced higher internal prices that can only encourage production in Europe.

I'll tell you something. If European agriculture didn't have its governments' treasuries to nurse feed it they wouldn't be able to export a pound, bushel or a single chicken wing.

We are working on taking care of this situation. For one thing, we have taken five subsidy cases to the GATT, and we'll have to wait and see how they work out. Other actions are also being considered—actions that can be taken under existing law. And let me make one point perfectly clear, in case there has been any doubt. Nothing has happened to make us change our stance. We are pursuing our attack on the subsidies with as much enthusiasm and with as much determination as we ever had.

Now let's turn briefly to another area of exports—the Soviet Union. As you know, President Reagan recently offered to extend our grain agreement with the Soviet Union for another year. Granted, some people may refer to this as a simple extension. But keep this in mind. It's an extension of an agreement that offered the Soviets all that they wanted this year, plus some. And President Reagan not only offered the extension, but he also authorized us to begin exploring the possibility of additional grain sales, over and above what is called for in the agreement.

In other words, we're doing everything we can to re-establish ourselves as a reliable supplier and to regain the market that was given away during the previous administration. The president himself said in Des Moines—and these are his words—"the granary door is open."

All of this makes me confident that things are going to turn around very soon. Already we're predicting 1982-83 coarse grain exports to exceed the previous year by roughly seven million tons. We're anticipating increases in demand from countries like Mexico, Korea and Egypt, and reduced supplies from Argentina, South Africa, Australia and Thailand.

We're headed in the right direction, but how fast we get there will be up to you. Let me repeat your theme. "The Difference Is You." This means you must get behind the initiatives, get behind the political issues and keep the pressure coming. The pressure that came from the industry was an important factor in decisions such as lifting the grain embargo and extending the LTA. But it was more than pressure. It was also your common sense.

Keep it coming. Believe me—we're going to get out there and sell this stuff.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Assistant Secretary of Agriculture John B. Crowell, Jr., before the Senate subcommittee on Public Lands and Reserved Water, Committee on Energy and Natural Resources, Aug. 17, 1982

Mr. Chairman and members of the subcommittee: Thank you for providing us the opportunity to join the subcommittee's deliberations on legislation to grant relief to purchasers of national forest system and public lands timber. The adverse economic situation that a segment of the forest products industry is in today and the intimate role the federal government plays in its cause and its potential cure is indeed a complex subject and one that will require our very best efforts. We assure you of our complete cooperation in your deliberations.

I would like to begin my statement with a brief overview of the circumstances which led to the introduction of S. 2805 and S. 2818.

About 25 percent of the timber used to manufacture lumber and plywood consumed in the United States is harvested from federal lands, nearly all of which is managed by the Forest Service and Bureau of Land Management. These two agencies contract with timber purchasers to harvest timber which has been designated specifically on the ground and on which an appraisal has been made. There is considerable competition for these contracts which are sold by oral auction or sealed bid. Contract lengths commonly range from 1 to 5 years, with an average of about 2 1/2 years. Normally, payment is made before timber is removed from the sale area. The largest volumes of federal timber are sold in the Far West.

Sales in the Pacific Northwest States and northern California comprise over 60 percent of the average volume of total federal timber sold annually. Over 80 percent of federal timber purchases are made by small businesses. These firms purchase over half the volume of federal timber.

The severe slump in homebuilding since 1979, because of continued high interest rates for long term borrowings, has significantly reduced demand for and the prices of lumber and plywood. This in turn has had a direct impact on existing federal timber sale contracts, creating a

situation in which many of these sales cannot be economically operated. The Forest Service has estimated that 88 percent of national forest timber volume under contract in western Oregon and Washington is at prices above the average purchaser's current break-even point, where the cost of production exceeds product selling value.

Additionally, it is estimated that 6 of the 22 billion board feet currently under contract in the three Pacific Coast states could not be operated at even the highest prices the market has ever seen. It is important to recognize also that many mills in this region own little or no forest lands and are heavily dependent upon federal timber as their source of raw material. This dependency has increased over the past two decades as privately owned mature timber available for purchase has been harvested.

The expectation of the forest products industry, and particularly of those mill operators who owned little or no timber was that, as timber from private sources became scarce, increasing volumes would be made available from the accumulated large inventories of old growth timber on western federal forest lands, particularly on the Pacific Coast. In fact, federal timber sales did gradually increase from 1950 until 1969, but have remained virtually at the same level for the last 13 years. This occurred despite the fact that half the standing softwood sawtimber inventory in the United States today is on the national forests where the inventory approximates one trillion board feet. The timbered portion of the national forests and their natural growth rates could support a considerable increase in harvest rates. Sale programs in the last decade have averaged only between 10 and 11 billion board feet annually while industry sources argue that a substantially higher level should be sold annually.

Thus, because the federal government did not sell timber in volumes sufficient to support existing mill capacity, and there was insufficient volumes of private timber in certain areas, excessive bidding by mill owners occurred with each trying to acquire an adequate supply of raw material. The competition for limited timber offerings has been fierce. The operator with timber under contract at least had a hope of protecting his investment, whereas the one without timber was forced to close his operation and to liquidate his mill facility.

Another cause of the present situation, has been the unremitting inflation of the last 18 years. Timber prices, because of the constraints on supply, moved up even faster than the wholesale price index. The inflationary increases in timber prices, plus the obvious demand for new housing as a consequence of population growth and new family formations, played a significant part in causing escalated prices to be bid for available federal timber.

Still another factor contributing to high bid prices was the uncertainty caused by controversy over designation of additional national forest system lands as wilderness. Such designations reduced the level of federal timber harvest, and controversy over management of other roadless areas created concerns by purchasers about future timber supplies.

The continuing low demand for wood products and the housing slump has resulted in a sharp drop in prices bid for federal timber. During the first quarter of 1980, the average bid price for Douglas-fir stumpage on national forests in western Oregon and Washington was \$486 per thousand board feet. During the first quarter of 1982, this price had dropped to \$153 per thousand board feet.

Many West Coast producers have been priced out of the market because they hold contracts on high-priced timber. As demand for wood products has declined, they have been forced from the market place, leaving the reduced demand to be met by those producers who have lower operating costs. In fact, some of the West Coast producers do hold some lower priced timber, so they can continue to operate on a curtailed basis utilizing only that timber.

The same economic law, of course, has operated identically on all other producers for the North American lumber and plywood markets, forcing the least efficient ones in every region of the United States and Canada to curtail production or to shut down completely.

Because so much federal timber under contract at high prices is in the Pacific Coast states, the consequences of being an inefficient producer because of high timber prices have tended to center there. Mills have ceased or curtailed operations, their employees have been out of work, dependent communities have suffered, and timber sale receipts to the federal treasury and to the local counties have declined. Mill owners have sustained operating losses and have suffered

impairment of their capital; they are short of cash, and probably have had trouble repaying loans or getting new ones. Some of the high-priced timber sales will not be operated during the original or extended contract term and will default. The defaulting purchaser will then be liable for damages to the United States, which he may not be able to pay promptly, or ever.

The amount of damages is ordinarily determined by reselling the timber, with the original purchaser becoming liable for the difference between the contract value at the expiration date of the original contract and the resale value, plus costs of the resale. Under current policies the defaulting purchaser is prohibited from bidding on the resale.

The federal timber selling agencies have been acutely aware of the problems experienced by holders of high-priced contracts and have taken a number of steps in the last two years to help alleviate them. Both agencies have granted extensions of termination dates for the contracts. The Forest Service has implemented two such extensions, the first for one year with fairly stringent conditions, the second for two years on condition that interest payments be made on the price for the unharvested timber. The Bureau of Land Management has extended its contracts to Dec. 31, 1983. Both agencies could grant further extensions.

On April 15, 1982, Forest Service timber sale procedures were changed with the objective of discouraging future purchasers from buying and holding large volumes of timber under contract. The Forest Service now requires an advance cash deposit to be made by the successful bidder within 30 days of sale award. The amount of the performance bond has been increased.

A system of discounting bid prices to encourage early performance of the contract has been established. And, the purchaser is now required to make a midpoint payment on the contract. Keep in mind that these changes in the way the Forest Service sells timber apply to sales made since April; they are not retroactive.

The BLM also is changing its procedures to require up front payment of 5 percent of purchase price up to a maximum of \$25,000. They also will require payment of at least 40 percent of purchase price by the end of the second year on a three year contract. They will

prohibit purchasers who have defaulted from bidding on new sales until arrangements for payment of damages on defaulted sales are made. Also, it will require that the maximum required as installment payments be \$50,000 instead of \$10,000.

Also, the national forests and BLM in Oregon and Washington rearranged their timber sale program for fiscal 1982 so as to sell contracts of short term and smaller volumes early this year. This was done to provide operators with an opportunity to acquire volumes at prices which they could operate in the current depressed market for wood products. The desired effect was achieved. Stumpage prices came down substantially, thereby enabling buyers to reduce their overall costs, and providing opportunity for them to return to the market place with at least some manufactured products.

It is imperative that the regular timber sale programs of the Forest Service and the BLM be carried on without curtailment during these difficult economic times. Some portion of the volumes sold can be harvested promptly, thereby keeping mills operating at least part time as the market for lumber and plywood allows. It is also important to assure future timber supplies on a regular basis and in needed quantities to meet increased market demands in the future so that stumpage prices can be maintained at reasonable levels. Availability of lower priced volumes also will permit averaging such volumes against the older, high-priced sales so that the latter volumes can be processed.

The legislative proposals in S. 2805 would authorize the secretaries of agriculture and the interior to reduce prices, to terminate, or to extend certain existing timber sale contracts. S. 2818 would only authorize the secretaries to adjust termination dates of timber sale contracts in effect prior to Jan. 1, 1982, for a period equal to the original term but not to exceed five years.

Each of these authorizations has advantages and disadvantages, each would be impossible to administer with even-handed fairness, but all would grant a greater or lesser measure of relief to holders of high-priced contracts. Each of the authorizations is opposed by one or another groupings within the forest products industry, unless the authorization is carefully limited in very detailed specifics.

The administration strongly opposes any rollback of prices on high-priced contracts. Rollback is grossly inequitable; it allows those who

purchased the timber at high prices subsequently to enjoy the advantages of holding it without having to pay the agreed price, while those who would not bid the excessive prices have, in many instances, suffered the consequences of not having an adequate timber supply. Further, the objectives of providing employment and receipts to the treasury and to the counties can be accomplished by continuing the regular sales program so as to get timber into the market at currently operable prices.

Although contract terminations without penalty do make the high-priced timber available again to all prospective purchasers and would permit early operation of the resold timber to occur, terminations totally relieve the original purchaser of his contractual obligations, all at the expense of the United States.

In a free market system where mistakes are supposed to be paid for by the person entering into the contract, that form of relief is extremely generous. Therefore, the administration also opposes the provision in S. 2805 which would authorize contract terminations without penalty.

We must make it clear, in fact, that the administration opposes any legislative remedy which would provide broad general relief, as would S. 2805, to one sector of the economy which is not available to other troubled sectors.

Since S. 2805 and S. 2818 address extensions and adjustments of termination dates, two definitions are appropriate at this point. A "contract term adjustment" under Forest Service timber sale contracts simply extends the termination date of the contract. It is the device BLM has used to lengthen all of its contracts to Dec. 31, 1983. An "extension," as used in Forest Service contracts, requires a reappraisal, possibly leading to a higher contract price, and the imposition of additional obligations.

Forest Service contracts contain carefully drawn provisions prescribing the conditions under which "contract term adjustments" and "extensions" will be available. "Contract term adjustments" are available only as a consequence of force majeure occurrences, not including depressed market conditions. Thus, "extensions" have been the device used to lengthen Forest Service contracts.

The Forest Service is constrained from converting "extensions" to "contract term adjustments" both by the provisions of its contracts and

by the principle that it cannot modify an existing contract to the detriment of the government.

Both S. 2805 and S. 2818 would apparently authorize use of contract term adjustments to extend BLM and Forest Service timber sale contracts. The administration does not at this point favor legislation which would authorize contract term adjustments.

At present, defaults are imminent on no BLM contracts and on only those few expiring Forest Service contracts on which the purchaser is either unable or unwilling to meet the modest conditions for a two-year extension. The administration holds the view that if contracts are not operated within the periods of extension currently available by administrative action that the contracts should be defaulted and that the defaulting purchasers should pay whatever damages may accrue by reason of default. Timber subject to the defaulted contracts should be resold in conjunction with the regularly prescribed timber sale program.

In short, since it is presently impossible to fashion relief that treats all purchasers of federal timber, all segments of the industry, and the general public with fairness and equity, the only appropriate action is not to interfere with the obligations and consequences created by existing contractual commitments.

The administration does suggest, however, that both the secretaries of agriculture and the interior be granted new authority to deal with defaulted contracts. The secretaries should be authorized to enter into and to amend agreements with purchasers and their sureties who have incurred obligations for damages by reason of such default. Such agreements could specify the schedule for payment of damages, the rate and schedule for interest payments, the security, if any, to be provided, conditions under which subordination of the security will be granted, and other provisions as the secretaries and defaulting purchasers and their sureties might agree.

The purpose of such authority would be to assure an eventual recovery of damages without forcing the defaulter into bankruptcy. It is not intended that such new authority extend relief on the basis of individual situations. Rather, the amount of damages would be determined either by resale of the timber subject to the defaulted contract or uniformly applicable rules prescribed by regulations

developed by the respective secretaries under the authority of the new legislation. It is anticipated that the availability of such authority could save many businesses and prevent much expensive and time-consuming litigation.

In summary, Mr. Chairman, the administration suggests legislation to provide authority to the secretaries providing flexibility to deal with a defaulter's obligations for damages. The unharvested timber will find its way into the market place by being reoffered to other buyers. The obligation of the defaulting buyer for damages will become fixed. The appropriate secretary, however, rather than implacably pursuing recovery of the amount owed would, in the exercise of discretion conferred upon him, be able to reach agreement with the defaulter and his surety for payment of the obligation on such terms as would allow the defaulter to remain in business.

The United States and the counties which share in timber sale receipts thus eventually would recover the original contract price in many cases, although somewhat later than was originally expected.

We believe the recommendation we are making is fair to those sectors of the forest products industry who have opposed any remedy for the purchasers of high-priced timber relieving them of all liability to perform their contracts. Volumes of defaulted timber would be put back on to the market as part of the regular timber sale program, thereby avoiding an oversupply of lower-priced stumpage which could result in an undue competitive advantage to its purchasers.

One final point before closing. Since 1974, there has been a provision in the interior and related agencies annual appropriations measure which prohibits the export of unprocessed logs originating from federal lands west of the 100th meridian. Because of the large volumes of federal timber under contract at high prices in the West, it is obvious that the holders of such contracts would benefit from access to additional prospective markets for the next six to eight years.

In closing, Mr. Chairman, I thank you for the opportunity to present the views of the administration on this bill. We look forward to working closely with the Congress as the legislation is developed. I would be happy to answer the subcommittee's questions.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA OKAYS PLANNING HELP FOR 34 WATERSHED PROJECTS

WASHINGTON, Aug. 13—Thirty-four watershed projects have been approved to get planning help from the U.S. Department of Agriculture in solving such problems as soil erosion and flooding.

Peter C. Myers, chief of USDA's Soil Conservation Service, said his agency will provide the assistance, which includes investigations and surveys necessary to develop plans for the protection of watersheds from erosion and siltation, to prevent flooding and to conserve water supplies.

Myers said the projects also provide fish and wildlife habitat, protect water supplies and improve environmental, economic and social conditions in rural areas.

A list of the newly approved projects follows:

Alabama — Harrison Mill-Panther Creeks Watershed, Dale, Geneva and Houston Counties.

Georgia — Shoal Creek Watershed, Marion County.

Illinois — Spring Lake Watershed, McDonough County.

Indiana — Mariah Creek Watershed, Knox and Sullivan Counties.
West Goshen Watershed, Elkhart County.

Iowa — A&T Long Branch Watershed, Adams and Taylor Counties; Buffalo Bill Watershed, Scott County; Ross Watershed, Plymouth County.

Maine — Dickey Brook Watershed, Aroostook County.

Michigan — Bean Creek Watershed, Hillsdale and Lenawee Counties.

Missouri — Big Creek-Hurricane Creek Watershed, Carroll and Livingston Counties, and Grassy Creek Watershed in Lewis and Marion Counties.

Montana — Muddy Creek Watershed, Teton County; Sage Creek Watershed, Liberty County.

Nebraska — Callahan Creek Watershed, Cass, Lancaster and Saunders Counties; East Fork-Maple Creek Watershed, Colfax,

Cuming, Dodge and Stanton Counties; Lower Little Nemaha Watershed, Otoe, Nemaha, Johnson and Richardson Counties. New York — Cayadutta Creek Watershed, Fulton and Montgomery Counties.

North Carolina — Creswell Watershed, Washington County; Sandy Creek Watershed, Cumberland County.

North Dakota — Muskrat Lake Watershed, Mountrail County.

Ohio — East Branch of Sugar Creek Watershed, Tuscarawas County; Wills Creek Watershed, Belmont, Guernsey, Monroe, Muskingum and Nobel Counties.

Oklahoma — North Deer Creek Watershed, Cleveland and Pottawatomie Counties.

Pennsylvania — Clover Creek Watershed, Blair County.

South Carolina — Salem Community of Lynches Lake-Camp Branch

Watershed, Florence County.

Tennessee — Madison-Cypress Creek Watershed, Madison County; Portland Creek Watershed, Sumner County.

Texas — Caddo Creek Watershed, Collins and Hunt Counties.

Vermont — Lemon Fair Watershed, Addison and Rutland Counties; Lower Winooski River Watershed, Chittenden County.

Virginia — Bull Run Watershed, Fairfax, Loudoun and Prince William Counties.

Washington — Newaukum Creek Watershed, King County.

Wisconsin and Illinois — Richland Creek Watershed, Green County, Wis., and Stephenson County, Ill.

Myers said the USDA supplies the planning help for local watersheds under provisions of the Watershed Protection and flood Prevention Act of 1954, commonly known as PL-566.

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STUDY IDENTIFIES USDA FUNCTIONS CRITICAL TO NATION'S AGRICULTURAL HEALTH

WASHINGTON, Aug. 17—The U.S. Department of Agriculture has released a study that pinpoints the federal functions needed to maintain a national system of agricultural health protection.

"This study provides a framework for future development of USDA's Animal and Plant Health Inspection Service," said Assistant Secretary of Agriculture C.W. McMillan. "It provides a hard look at APHIS's mission and goals, balancing on one hand the need to protect American agriculture from diseases and pests, and on the other, possible funding cuts and administration efforts to transfer appropriate federal responsibilities to the states and private sector."

The study was done by Caro Luhrs Associates of Washington, D.C., between April and July, 1982, when it became clear future budget cuts might lead to major changes in many of the agency's programs, McMillan said. The study identifies seven basic functions of the agency: international surveillance, domestic surveillance, disease and pest control—both domestic and international—specialized technical support, biologics regulation, certification and management support.

"These functions are essential to the protection of American agriculture and require a strong federal role," McMillan said.

"Any transfer of APHIS activities to the states or private sector would require careful planning with cooperators who have worked closely with the agency in the past," he said. "We have to be sure adequate authority, resources, and a strong commitment exist at non-federal levels, guaranteeing that transferred activities will continue."

The report recommends the agency refine its mission statement to reflect its underlying economic purpose—protection of the marketability of U.S. agricultural products in both domestic and international markets.

APHIS' role in protection of human health was also considered, McMillan said.

"Using the assessment as a framework, APHIS should be able to accommodate budget reductions while still providing national leadership in animal and plant health," McMillan said.

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USDA TO ISSUE SUGAR REPORTS THROUGH MAY 1983

WASHINGTON, Aug. 17—The U.S. Department of Agriculture's Statistical Reporting Service will begin issuing estimates of supplies,

distribution and stocks of cane and beet sugar quarterly through next May, according to agency administrator William E. Kibler.

Kibler said USDA had discontinued its weekly "Sugar Distribution" and monthly "Sugar Market Statistics" reports earlier this year because of budget reductions, but that USDA's Commodity Credit Corporation has provided funds for USDA's Crop Reporting Board to issue quarterly summaries.

The summaries—which will begin with Sept. 7 issues—will cover sugar data for the periods January-March and January-June.

Subsequent releases will be issued Nov. 15, Feb. 15 and May 16.

Further reports will depend on additional funding, Kibler said.

Copies of the scheduled releases may be purchased for \$1.25 each or \$5 for the series. Order forms are available from the Crop Reporting Board, room 5829-S, USDA, Washington, D.C., or by calling (202) 447-4021.

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WRONGLY-PAIRED MATINGS FATAL TO INSECT PESTS

WASHINGTON, Aug. 19—Insect pests are dying in the act of love in Brownsville, Texas. Males of one species are trying to mate with females of another species, but the pairings are wrong.

That mating mismatch is caused by sex attractants, or pheromones, that are made in a laboratory to mimic an insect's sex odors. Usually, these natural chemicals are extracted from a specific species and attract only that species, but in this case it's not working that way.

U.S. Department of Agriculture scientists uncovered the unusual—and deadly—response while testing two pheromones on crop-damaging insect pests in fields near Brownsville.

Such sexual chaos may open another avenue of natural pest control, said Donovan E. Hendricks, an entomologist there for USDA's Agricultural Research Service.

Hendricks sees the possibility of applying pheromones to large crop areas to suppress both insect species—the tobacco budworm, which has

a voracious appetite for cotton as well as tomato plants, and the cotton bollworm, a major pest of cotton, corn and tomatoes.

If the cross-mating of the two insect lines were to prove successful as a pest population control, he said, the technique could be tried on other species. But because insect behavior is complicated, he cautioned, potential use of the technique on a wider scale will have to await further basic research.

Hendricks and colleagues Juan D. Lopez, an entomologist, and Ted N. Shaver, a chemist, observed the lethal results of the mis-mating while conducting field tests to learn more about the confusion that pheromones can cause in insect courtship.

What the researchers found was that the pheromones caused male cotton bollworms to attempt to mate with female tobacco budworms. Because of mismatched genitalia, the two species became locked together and eventually died.

According to Hendricks, this is "the first time biological researchers have purposely caused copulation between two different species" in open field conditions. Such sexual mating had been observed only when cotton bollworms and tobacco budworms were confined in a small space such as a gallon carton.

USDA's researchers tested two pheromones—Z-9-tetradecenal and Z-11-hexadecen-1-ol—while seeking to disrupt the mating of tobacco budworms. The researchers found that traps baited with female budworms caught male cotton bollworms.

In a later test, the researchers tethered female budworms to platforms in the field and again permeated the air with pheromones. This time, the two species were found fatally mating.

Hendricks then ran other tests, locating the female budworms on tables in fields, and male bollworms succumbed to the pheromones, again locked in deadly courtship.

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PUERTO RICO REGULATED TO PREVENT FIRE ANT SPREAD

WASHINGTON, Aug. 18—The U.S. Department of Agriculture has established quarantine regulations in Puerto Rico after discovering an outbreak of imported fire ants on the island.

Thomas J. Lanier, a plant protection official of USDA's Animal and Plant Health Inspection Service, said the regulations restrict the movement of products, materials and equipment that could carry fire ants to other islands or the mainland.

"Currently there is very little movement of restricted items out of Puerto Rico," Lanier said. "However, precautions are necessary to keep the pest from infesting new areas."

Lanier said the imported fire ant, an aggressive stinging insect which builds large mounds in pastures and fields, infests about 230 million acres of the mainland west from the Atlantic Ocean into mid-Texas and north from the Gulf of Mexico into North Carolina.

Regulated items and materials include soil, plants with soil attached to the roots—except non-commercial home-grown house plants—sod, hay and straw and uncleaned earth-moving equipment or other equipment or vehicles with soil attached. Hay and straw for packing or bedding are exempt.

Lanier said the regulations become effective immediately; however, a public hearing is scheduled Sept. 21, 1982, at 10 a.m., in room 401, Federal Office Building, Chardon Ave., Hato Rey, Puerto Rico. Comments may be presented at the hearing or sent through Oct. 18, to the Regulatory Services Staff, APHIS, USDA, Rm. 643 Federal Building, 6505 Belcrest Rd., Hyattsville, Md. 20782. All comments will be considered in preparing permanent regulations. Notice of this action is scheduled to be published in the Aug. 19 Federal Register.

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USDA INITIATES RECALL OF SMOKED HAM IN FIVE STATES

WASHINGTON, Aug. 17—The U.S. Department of Agriculture has initiated a recall of some 36,000 pounds of "deli-style" smoked ham

from five states following the discovery it was contaminated by staphylococcus, a food poisoning organism.

None of the product was packaged for direct sale to the public. The five states are: western Connecticut; eastern Maryland; southern New York; southwestern Pennsylvania and northern Virginia.

The hams—produced by Fred Weinkauff, Inc., Brooklyn, N.Y., and marketed under the "Old Dominion," "Knickerbocker," "Ridgewood" and "Red Bee" brand names—were shipped to delicatessens, supermarket deli counters, restaurants, caterers and similar outlets. Weinkauff sold the 13-pound "corrugated" -ripple-edged—cooked and smoked hams wholesale. No other product produced by Weinkauff is affected.

The staph organism was discovered after at least 100 people became ill in four separate incidents, all catered by the James Stratigos Catering Service, McKeesport, Pa. No other illnesses have been reported.

Donald L. Houston, administrator of USDA's Food Safety and Inspection Service, said the people got sick after eating the smoked ham because of apparent improper preparation by Weinkauff combined with faulty handling by the caterer.

"It was this double fault situation that allowed a build-up of toxin sufficient to produce food poisoning," Houston said.

"Consumers should check with their retail outlets to find out whether smoked, ripple-edged ham bought recently was processed by Weinkauff. If so, the consumers should return it to the retailer," Houston said. "Under no circumstances should consumers taste the ham—even if it seems to be in satisfactory condition."

Staph organisms may be present on human skin and in nasal passages, and can be transmitted to food through handling, including improper cooking and storage. In humans, symptoms of the illness include nausea, abdominal cramps, vomiting and diarrhea.

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USDA ADOPTS MEASURES TO CONTROL REJECTED MEAT AND POULTRY IMPORTS

WASHINGTON, Aug. 19—The U.S. Department of Agriculture has adopted improved measures to prevent rejected meat and poultry imports from illegally entering U.S. commerce.

"Last spring, when we discovered some rejected product had entered the domestic marketplace, USDA immediately tightened procedures used in marking, controlling and re-exporting refused-entry product," said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service. "Today's interim rule formalizes and strengthens those procedures."

No illnesses have been reported in connection with the problem, he said.

Federal laws governing meat and poultry imports—jointly administered by USDA and the U.S. Customs Service—require any product that is refused entry to be either exported from the United States or destroyed for use as human food, he said.

"For the most part, federal import inspection has worked well to protect the public from unacceptable meat and poultry products," Houston said. "Nonetheless, unscrupulous importers have been able to use cracks in the current system to divert refused-entry product into consumer food channels."

The interim rule amends the federal meat and poultry inspection regulations to prohibit:

- The application by USDA inspectors of U.S. "Inspected and Passed" markings on any product until Customs Service and USDA inspections are completed;
- The subdivision of lots of refused-entry products into smaller lots for separate disposition;
- The sale of refused-entry product except under special circumstances;
- The movement of refused-entry product from port to port without full written information on the product's disposition; and
- The movement of any refused-entry product except under security seals.

Also, the rule extends from 30 days to 45 days the deadline for owners or consignees of such product to export or destroy it.

Extensions can be granted only under extreme emergencies, Houston said.

If the requirements are not met, the secretary of agriculture is authorized to take appropriate actions to destroy the product, he said.

Public comments should be sent in duplicate by Oct. 18 to: FSIS hearing clerk, room 2637-S, USDA, Washington, D.C., 20250.

Notice of this action is scheduled to be published in the Aug. 19 Federal Register. A background paper is available from FSIS Information, USDA, room 1160-S, Washington, D.C., 20250.

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USDA CHANGES INGREDIENT REQUIREMENTS FOR SOME SAUSAGE

WASHINGTON, Aug. 19—Effective Sept. 20, sausage makers will have increased flexibility in making braunschweiger and liver sausages, according to the U.S. Department of Agriculture.

Under the revised standards, both sausages may be made without pork, previously a required ingredient. Also, braunschweiger now can include beef fat. This product was permitted before only in liver sausage.

The new standards also permit the use of veal liver to meet the minimum 30 percent liver content requirement. Only beef or pork liver could be used before.

"These revisions will increase the types of sausage products that food processors can offer consumers," according to Donald L. Houston, administrator of USDA's Food Safety and Inspection Service.

"Additionally, they will permit persons who do not eat pork for religious reasons to enjoy these sausages."

Comments on a July 10, 1981, Federal Register proposal generally favored more flexibility in determining what ingredients could be included in these sausages, but opposed any other changes in current regulations.

FSIS ensures that all meat and poultry products are wholesome and accurately labeled and sets composition standards for these products.

The revised regulation will be printed in the Aug. 19 Federal Register, available on most public libraries.

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USDA EXTENDS MATURITY DATE ON 1981-CROP SOYBEAN LOANS

WASHINGTON, Aug. 19—Producers with 1981-crop soybeans under loan now have the option to extend their loans for an extra six months, according to Everett Rank, administrator of the U.S. Department of Agriculture's Agricultural Stabilization and Conservation Service.

Rank said USDA is allowing extended loans so farmers will have the option of holding their soybeans for possibly higher prices later in the year. Without today's action, Rank said, farmers would be required to either sell their soybeans to repay their price support loans or would turn their crops over to USDA's Commodity Credit Corporation in lieu of repayment.

Most soybean loans are scheduled to mature during August, September and October.

Producers who extend their loans for the additional six months will be charged interest at the rate applicable to the loan. This interest rate reflects the cost to CCC of borrowing from the U.S. Treasury.

All producers with 1981-crop loans in an outstanding status are eligible to extend their loans, Rank said.

Producers who wish to extend loans should contact their county Agricultural Stabilization and Conservation Service office, Ranks aid.

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